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Attorneys for Public Utility District No. 1 of Douglas County, Washington

**UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF WASHINGTON-**

In re:

**GIGA WATT INC, a Washington  
corporation,**

Debtor.

No. 18-03197-FPC11

**CHAPTER 11**

**DECLARATION OF GARY  
IVORY IN SUPPORT OF  
OBJECTION TO COMMITTEE'S  
MOTION FOR AUTHORIZATION  
TO FILE ADVERSARY  
PROCEEDING AGAINST  
DOUGLAS COUNTY PUD FOR  
THE BENEFIT OF THE  
BANKRUPTCY ESTATE**

I, GARY IVORY, state as follows:

1. I am the General Manager of Public Utility District No. 1 of Douglas County, Washington (the "District"), am over the age of eighteen (18), have personal knowledge of the matters contained in this Declaration, and am competent to testify.

**DECLARATION OF GARY IVORY IN SUPPORT OF  
OBJECTION TO COMMITTEE'S MOTION FOR  
AUTHORIZATION TO FILE ADVERSARY PROCEEDING  
AGAINST DOUGLAS COUNTY PUD FOR THE BENEFIT OF  
THE BANKRUPTCY ESTATE- 1**

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1           2.     Attached to this Declaration as Exhibit A is a true and correct copy of  
2 the Interconnection and Services Agreement entered into by the District and Giga  
3 Watt Inc. (“Giga Watt”) on March 7, 2017 (the “Agreement”). The Agreement was  
4 for property in the Pangborn Airport Business Park to be leased by Giga Watt from  
5 the Port of Douglas County (the “Port”).  
6

7  
8           3.     The Agreement contained no stated term, but was effective until  
9 terminated in accordance with §20 of the Agreement. (Ex. A, §1.)  
10

11           4.     Section 20 of the Agreement provided that either party could  
12 terminate the Agreement with 12 months’ written notice.

13           5.     The Agreement was also terminable by the District upon 180 days’  
14 notice if Giga Watt failed to pay certain amounts under the Agreement. (Ex. A,  
15 §6.) Section 6 actually stated that it could be terminated pursuant to §20, but with  
16 “thirty (180) days” notice. The parties had agreed upon 180 days.  
17

18           6.     Under the Agreement, Giga Watt was responsible for constructing a  
19 substation to allow the District to provide electric service to the Pangborn site. (Ex.  
20 A, ¶3.1.)  
21

22           7.     Giga Watt was also required to pay certain Major Costs. (Ex. A, §§2.2  
23 and 6.) While the Agreement stated that Major Costs were “expected to be paid by  
24 the Port,” the District understood that the Port would not be paying any of the  
25  
26

1 Major Costs. Attached to this Declaration as Exhibit B are true and correct copies  
2 of invoices submitted to, and paid by, Giga Watt in June 2017 and January 2018.  
3  
4 These invoices were for advances for transmission line consulting to be provided  
5 by the District to Giga Watt. Attached to this Declaration as Exhibit C is a copy of  
6 the invoice submitted to Giga Watt on August 29, 2018 for engineering design and  
7 transmission line construction at the Pangborn site. The two prior advances were  
8 credited on that invoice.  
9

10 8. Upon completion of the substation, Giga Watt's maximum power  
11 usage under the Agreement was to be 30 megawatts (30 MW). (Ex. A, §4.) The  
12 rate for the electricity was to be in accordance with the District Rate Schedule 1  
13 with a 6.013% surcharge. (Ex. A at Ex. A.) The rate schedule was specifically  
14 subject to change at any time. (Ex. A at Ex.)  
15  
16

17 9. Attached to this Declaration as Exhibit D is a true and correct copy of  
18 the termination letter I sent on behalf of the District to Giga Watt on October 12,  
19 2018. I sent the letter pursuant to §20.1 of the Agreement for termination of the  
20 Agreement one year later. While I addressed the past due invoice in the second  
21 paragraph of the letter, it was not the major impetus for the letter. Had it been, I  
22 would have given 180 days' notice instead of one year.  
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27 **DECLARATION OF GARY IVORY IN SUPPORT OF**  
28 **OBJECTION TO COMMITTEE'S MOTION FOR**  
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**AGAINST DOUGLAS COUNTY PUD FOR THE BENEFIT OF**  
**THE BANKRUPTCY ESTATE- 3**

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1           10. As stated in the letter, the District had concerns about Giga Watt's  
2 status as a going concern. Giga Watt had struggled to make progress on  
3 construction of the substation and had required more assistance from the District  
4 than had been contemplated. In addition, Dave Carlson had resigned as CEO, the  
5 company had laid off the majority of its employees, and I understood that  
6 contractors had filed sizable liens on the Pangborn site based on nonpayment by  
7 Giga Watt. The District had expended significant resources, beyond what had been  
8 contemplated, to help Giga Watt with the Pangborn project. As a public entity, it  
9 could not continue to do so. All of these factors led the District to determine that  
10 termination of the Agreement would minimize losses to the District and, thereby,  
11 our customers.  
12

13           11. As I indicated in the termination letter, the District was willing to  
14 work with Giga Watt on future options to find a path forward for it. The one-year  
15 notice period gave Giga Watt an opportunity to pursue other options, whether that  
16 be a new agreement with the District or the purchase of power from another source  
17 as provided in §4 of the Agreement. The provisions of § 4 are consistent with the  
18 rights of all customers in Douglas County. Giga Watt did not approach the District  
19 to discuss options.  
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12. On January 27, 2020, following an eight-month process, the District's commission passed a resolution that will increase the District's cryptocurrency rates by 10% beginning on Jul 1, 2020, and an additional 10% every six months over the next five years. A true and correct copy of the resolution is attached to this Declaration as Exhibit E (the "Resolution").

13. The Resolution is intended to address the additional risks that high intensive and large volume power users mining cryptocurrency create for the District.

I DECLARE UNDER PENALTY OF PERJURY THAT THE  
FOREGOING IS TRUE AND CORRECT.

Executed on April 27, 2020.

/s/ Gary Ivory  
GARY IVORY

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